

**MINUTES OF THE
BOARD OF BUSINESS AND ECONOMIC DEVELOPMENT
January 16, 2004 Meeting**

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| Members Present: | David Simmons, Debra Tanzi, Joel Bradford, Bill Boyle, Karen Alvey, Mark Howell, Richard Nelson, Ted Smith and Cliff White |
| Members Absent: | Dell Loy Hansen, Jerry Oldroyd, Barbara Zimonja, Ed Ekstrom, and Kenneth Woolley |
| Visitors: | Rand Johnson, Geoff Brugger, Peter Genereaux, Mike Thurman, SLCC; Jerrold Jensen, Attorney General Office; DeeDee Darbey-Duffin, EDCU; Brian Corde, Mintax |
| Staff: | Jeff Gochmour, Rod Linton, Ron Richins, Marian Hein, Cathy Rawstorne, Dick Bradford, Tracie Cayford, Tamee Roberts, Todd Hauber, Inge Krogue, Stan Nance, Mark Renda, Dave Douglass, Tina Lewis, Chuck Schell, Emily Sang, Kelly Day |

Welcome and Approval of Minutes

Chairman Simmons welcomed everyone to the meeting and called for a motion on the minutes.

MOTION: Debra Tanzi moved and Mark Howell seconded a motion to approve the December 19, 2003 minutes as submitted. Motion carried.

Salt Lake Community College Presentation

Rand Johnson, Geoff Brugger and Peter Genereaux all participated in a presentation about Salt Lake Community College (SLCC) to the DBED Board. SLCC is a comprehensive community college serving employers and their present and future employees. The presentation included such topics as Applied Technology Education, General Education, Continuing & Community Education, Customized Training, and Developmental Education. SLCC is a one-stop place for existing and new employers to find qualified new employees. SLCC also serves a place where employers can send their existing employees for retraining or upgrading skills. Copies of SLCC's 2002-2003 report Card were distributed to all present.

Committee Reports

Business Development Committee:

Debra Tanzi reported that the Business Development Committee reviewed DCED's current legislative issues and will compile a letter to the department legislative subcommittee validating DBED as a whole, and showing the Board's support. The letter will be copied to all board members. The Business Development Committee will meet on March 18, 2004 to incorporate any legislative issues that did or didn't pass affecting DBED. The Board took the following action on the legislative issues affecting DBED: (See attached Legislative Issues document for more detailed information about each issue.)

Tourism Economic Stimulus Fund

The Board tabled this item until the February meeting.

Film Industry Legislation:

Motion: Joel Bradford moved to support the Film Industry legislation with a second from Karen Alvey. Cliff White and Richard Nelson abstained from the vote. Motion carried.

Industrial Assistance Fund:

MOTION: Ted Smith moved to approve supporting the replenishment of the Industrial Assistance Fund. Karen Alvey seconded the motion and all favored it passing. Motion carried.

Centers of Excellence:

MOTION: Karen Alvey moved to support an initiative to increase COE's funding from its current \$2 million level back to the historical level of \$3 million with a second from Debra Tanzi. Motion carried.

Manufacturers Extension Partnership:

This item was tabled for future discussion.

Utah Technology Alliance:

MOTION: Ted Smith moved to approve the Board's support of a budget building block request of \$450,000 for the Utah Technology Alliance. Joel Bradford seconded the motion. Richard Nelson abstained from the vote. Motion carried.

Custom Fit Training:

MOTION: Karen Alvey moved to approve the Board's support of increased funding for Custom Fit Training and reestablishing a \$1 million pool of Custom Fit Training funds to be administered by DBED. Debra Tanzi seconded the motion and all favored it passing. Motion carried.

Aerospace Aviation Development Zone:

MOTION: Karen Alvey moved to support broadening of the Aerospace Development Zone to other areas of the state with a second from Ted Smith. Motion carried.

Incentives Committee:

David Simmons reported that the Incentives Committee reviewed a unique request from Project Robert. Project Robert has requested confidentiality on a number of issues and Mr. Simmons suggested the board members refer to their executive summaries for more detailed information. This request is unique in that it's an effort to retain existing jobs and the facility in the state of Utah. The facility is undergoing a change in ownership and the intent is to try to maintain this facility in Utah. There was a good discussion in the committee including with representatives from both the present facility and the prospective purchaser. It appears that there is a very high likelihood, depending who is the purchaser of this company, the facility would end up being moved out of the state, which would represent a considerable loss for the county. The Committee also agreed that it is valid to consider a situation where there is an employer in a unique targeted industry or in an area of the state that is providing significant jobs. The jobs at this facility are over double the median average for the county in which it is located. The IAF Committee recommends that an incentive grant be made to Project Robert of \$500 per year per job retained, to be paid over a three-year period of time with a cap of \$300,000. The hope is that if there is a desire to earn some of that allocation sooner, it may end up in some increased employment from the present base. If the employment level decreases, then the full \$300,000 would not be paid out. The Incentive Committee recognizes that this request is unique, but feels that both the quality of the jobs and the location of the facility are important for the development in this area of the state and are valid reasons why we don't want to lose this facility to another part of the country.

MOTION: Ted Smith moved to approve the Incentive Committee's recommendation as outlined above to Project Robert. Richard Nelson seconded the motion. Motion carried.

The Incentives Committee also reviewed a request to establish an Aerospace and Aviation Development Zone at or around the Ogden City Hinckley Airport. It requires action by the DBED Board to actually specify the parameters of what that zone will be. Attached are the proposed parameters of this development zone. The Incentives Committee recommends the approval of the development zone as submitted.

MOTION: Richard moved to approve the recommendation by the incentives Committee to establish the Ogden City Airport as an Aerospace and Aviation Development Zone. Karen Alvey seconded the motion. Motion carried.

The Committee also discussed HB 75 Industrial Assistance Fund Amendments. Mr. Simmons asked Mark Renda to outline the proposed amendments to the board members.

Mark Renda stated that the idea here is to allow the IAF to become more flexible and responsive to the needs of businesses. Essentially the bill creates a definition for economic opportunities and defines it as such: Unique business situations or community circumstances which lend themselves to the furtherance of the economic interest of the state by providing a catalyst or stimulus to the growth or retention, or both, of commerce and industry in the state. It also limits the amount of dollars that could be used for these economic opportunities at 20% of the fund. An entity offering an economic opportunity that qualifies may receive loans, grants or other financial assistance from the fund for expenses related to the establishment, relocation, retention or development of industry in the state; and includes infrastructure or other economic development precursor activities that act as a catalyst or stimulus for economic activity likely to lead to the maintenance or enlargement of the state's tax base. It creates a parallel path currently in statute for qualification and allows the board to make decisions and draw conclusions about the relationship between the applicant, the activity to be undertaken, and how that directly impacts economic development opportunities. Mr. Renda added that there is language in the legislation that allows the administrator to set other criteria not enumerated in the statute. The Incentives Committee asked for the Board's support of the IAF amendments legislation.

MOTION: **Ted Smith moved that the DBED Board adopt a resolution in support of HB 75 that supports the concept of greater flexibility of the IAF fund and as part of that, would also support legislation that calls for the IAF to establish some objective financial criteria by which to judge them. Debra Tanzi seconded the motion. Motion carried.**

Division Report

Jeff –Gochmour gave the following update on DBED Program activities:

National Business Development

- Richter 7, our new ad agency, is working on a mailing to all participants of the upcoming Outdoor Retailers Conference highlighting Utah as a great place to relocate their business.
- Orgill Distribution (Project Tradition) announced it would bring 300 jobs to Hurricane.

Science & Technology

- Jeremy Neilson has been hired as the Fund of Funds Analyst to work on HB 240 Venture Capital Enhancement Act.
- The NASVF annual conference will be held in Salt Lake City at the Grand America Hotel.
- DBED is a sponsor of the University Venture Fund Conference which is going on right now. Participants include venture capitalists and other industry leaders from around the world.
- The governor has created a task force for the Outdoor Recreation Ecosystem and we are working hard to get that ecosystem going.

Utah Film Commission

- The Sundance Film Festival started last night in Park City and opens tonight in Salt Lake with a movie that was filmed in Utah – a first for the film festival. 40,000 more tickets to the festival were sold this year than last year on the first day of ticket sales. Last year they estimated that the festival brought in over \$46 million to the state in its 10 day run so it's a significant economic tool.
- Everwood is scheduled to wrap up in April finishing their second season and all indications are that they will have a third season.

International Business Development

- International staff is helping host a number of international filmmakers at the World Cinema Reception, which is part of the Sundance Festival.
- Tina Lewis has met with the governor's office on the proposed trade mission schedule and received their blessing.
- International is investigating the possibility of establishing a Utah House during the Athens games.

BEAR

▪ Governor Walker attended the ribbon cutting of a new Smart Site in Sanpete County. A smart site was also established in Wayne County earlier this month.

February 20, 2004 Agenda Items

- Consent Calendar Items
- Committee Reports
- Legislative Update
- Economic Report by local economists

Other Business

With there being no further business, the meeting adjourned at 12:00 p.m.

**DBED LEGISLATIVE ISSUES
2004**

Items Requiring Funding

1. Tourism Economic Stimulus Fund – It is very important for the state to obtain sufficient funding to adequately promote Utah. This fund would be developed from a .5% increase in the hotel tax, a .25% increase in the prepared food tax and a \$3.5 million appropriation from the general fund. This represents a significant opportunity to stimulate the state's economy in the short term. From study work recently completed, we estimate that the state will receive \$8 in incremental state revenue for every dollar invested in the fund.
2. Film Industry Legislation – Film production days in the state have declined every year since 2000. This is due to aggressive competition from other states that have developed generous incentive packages. This legislation proposes to exempt film production in the state from paying sales and use taxes. The state currently collects \$400-\$600,000 in sales and use tax so it is a modest revenue generator for the state. Correspondingly, this does not represent a significant amount of money for the industry but it reflects a first step by the state to support this industry. It also eliminates sales and use tax audits which have aggravated the industry in the past.
3. Industrial Assistance Fund - Due to recent budget cuts the Industrial Assistance Fund (IAF) has not been funded at an adequate level. Because of the timing of when commitments would need to be paid out, it was determined that we could postpone a complete replenishment of the fund and use existing cash balances. As a result, the funding needed to make the IAF whole is approximately \$6.2 million. The Governor has included \$5.1 million in her budget to replenish the IAF.
4. Centers of Excellence – We would like to see the legislature increase funding for the Centers of Excellence from the current \$2 million level back to the historical level of \$3 million. This program has an outstanding track record of delivering high returns to the state but is undercapitalized. The funds are used to assist in the transfer of technology from our universities into successful new business startups. The money invested by the state usually attracts additional investment from other sources at a rate of about \$10 for every \$1 the state puts in.
5. Manufacturers Extension Partnership – Increase funding to this partnership (currently \$325,000, increase to \$900,000). This is the only state supported program that supports the small manufacturers throughout the state. In the past the program has demonstrated significant returns to the state by strengthening small manufacturers and creating jobs. Without increased state support, the program is in jeopardy.
6. Utah Technology Alliance - This is the program the Governor started several years ago, which focused on organizing Utah businesses into industry clusters or ecosystems. Originally this activity was conducted outside of the Division of Business and Economic Development and had its own separate funding. As budgets began to shrink, this activity was folded into DBED but with no funding. For the last two years, we have requested and received funds from the legislature to cover this gap but it has always been provided as one-time funding. In addition, the Governor has tasked us to develop a new ecosystem related to outdoor recreation. This would consist of identifying the various venues around the state related to outdoor activities such

as mountain biking, hiking, climbing, four-wheeling, etc. For each venue we would need to partner with the local city/county and the travel division for the development and promotion of each venue. This area is also tasked with supporting the new Utah Technology Industry Council that was established by legislation at the last general session. We have asked for a budget **building block of \$450,000** to cover our needs on an ongoing basis. This item is currently included in the Governor's Budget.

7. Custom Fit Training – Recent budget cuts reduced custom fit training funds administered by DBED to zero. Training funds are an important recruitment tool and Utah's training funds are woefully inadequate. We would support increasing funding for custom fit training and reestablishing a \$1 million pool of custom fit training funds to be administered by DBED.

Items Not Requiring Funding

1. Industrial Assistance Fund – We want to revise the law governing the IAF to allow the DBED board to use up to 20% of the fund balance in support of more general economic development projects offering an acceptable return to the state. Currently, the only standing tool available to DBED is the IAF but its' use is limited by law. Often, during the year, a situation may arise that could provide a good return to the state but we have no ability to take any action. In most cases, the situation can't be put off until the next general session or the dollars are not significant enough to justify specific legislative action. Giving more discretion to the DBED Board would insure we do not miss such opportunities.
2. Aerospace and Aviation Development Zone (HB 316) – The bill passed in the last legislative session. It is a tax incentive finance tool that we could use to create business incentives but it required no appropriation from existing funds. HB 316 was restricted to just the aviation and aerospace industry and limited to activities around the Ogden, Salt Lake and Hill Air Base airports. Even though we do not yet have any deals completed this tool has generated some very exciting prospects and I would hope to convince the legislature at some future date to expand this into a general recruitment tool. I believe there will be legislation introduced by Senator Mike Dmitrich from Price to make all airports in the state eligible for HB316.

Proposed parameters of the Ogden City Airport Aerospace and Aviation Development Zone:

